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MEMORANDUM FOR: Executive Director

VIA: Acting Deputy Director for Administration

FROM: Robert W. Magee  
Director of Personnel

SUBJECT: Retirement Proposals

REFERENCE: Your Note, dtd 3 Oct 84, Same Subject

Jim,

1. We have reviewed your proposed retirement package and find that your ideas are very similar to those already included in our retirement brief. For instance, we wanted a program for all CIA employees, administered by us for security reasons; one that would supplement Social Security and reward overseas service, and take advantage of a voluntary capital accumulation plan (VCAP). Your proposal does modify our retirement proposals somewhat by mentioning 25 years of service rather than age 50 with 20 years service as the earliest retirement possibility and limiting credit for anything beyond 25 years. However, because of basic similarities, we were able to have a meaningful discussion with our consultant, Ed Hustead, on this issue and get some very rough ideas on cost factors associated with your suggestions.

2. As a starting point, Ed estimated that the Federal Bureau of Investigation (FBI) (law enforcement) system costs the Government about 59% of payroll. *11/2/84* Using your proposal and inserting specific accrual rates (a basic 2 1/2% and 4% for overseas service) the cost would be between 66% and 71%. The highest cost factors result from the 25-year eligibility criteria regardless of age and VCAP inclusion. To reduce the cost to a level comparable to the FBI we can make certain modifications. For instance, keeping age 50 with 20 years of service could reduce the cost to between 56% and 61%. We could still maintain the 25-year maximum service credit. Alternatively, the accrual rates we assumed earlier (2 1/2% and 4% for overseas) could be reduced to a 2 1/4% basic formula with 3% for overseas service and retain the cost of 56% to 61%. Another alternative would be to reduce the cost of living adjustments to accommodate more preferable options.

*66%*  
*65%*  
*57%*

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3. As you can see, there are a wide variety of possibilities, but the bottom line is that your suggestion could be designed in some form within the parameters of the 59% cost of the FBI system. The real factor is what will be tolerable in Congress and the Administration with their cost cutting efforts. In this regard, Representative Conable from New York recently introduced some strong, extensive statements for the record supporting the Administration's viewpoint on the need to modify current retirement systems and citing the current excessive generosity of these systems. For this reason, we need to establish a game plan on how we are now going to deal with the Congress and the Administration on establishing our uniqueness. I will want to discuss this issue further with you in the near future.

4. Our figures are only preliminary having been obtained in a very brief session with Ed Hustead to give you some quick feedback on your proposal. Finite figures will require some extensive actuarial study which we will pursue. Unfortunately, Ed will be out of town for the next two weeks and we must await his return before finalizing any data. In the meantime, I plan to start getting the word out to the troops on what we've done thus far and I'll provide you more details once we've been able to do some in-depth research.

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Robert W. Magee

*Preliminary response only. Just to show you how ~~we~~ responsive we are!  
Keep those ideas flowing. Including yours, we've thus far received one suggestion, I hope we'll get more when we brief the Agency.*

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